

## Upcoming Conference to Look at Debt and Equity Aspects of the Capital Crunch

This fall, the Office of Advocacy will gather leading voices on an important topic: the small business capital crunch. Registration is now under way.

On September 15, “Small Business Capital Crunch: Debt and Equity Markets,” takes place on Capitol Hill. The afternoon conference addresses the decline in capital going to small businesses. The event consists of two finance panels: one on banking and one on equity. Panelists will discuss small business credit market conditions as well as policy initiatives.

While the recession has officially been declared over, the small business credit and job markets have not yet recovered. The two are closely related. This conference adds equity markets to the discussion and tries to develop solutions.



## Small Business Capital Crunch: Debt and Equity

Joining Chief Counsel for Advocacy Winslow Sargeant are CNN journalist Roland S. Martin, as well as members of the small business community, policymakers, economists, and financial experts.

Space is limited. To register, visit [www.sba.gov/content/small-business-capital-crunch-debt-and-equity](http://www.sba.gov/content/small-business-capital-crunch-debt-and-equity). To encourage

participation, Advocacy will be soliciting the audience’s solutions in the registration process and presenting the top solutions after the panels.



Chief Counsel Sargeant toured NREL facilities in Golden, Colorado with Martha Symko Davies.

### In This Issue

Conference to Examine the Capital Crunch . . . . . 1

Advocacy Interns Head Back to School . . . . . 4

#### Message from the Chief Counsel

Ingenuity on Display in Listening Tour . . . . . 3

#### Regulatory News

EPA Withdraws Stormwater Regulations . . . . . 6

SBAR Panels Under Way . . . . 6

Advocacy Comments on EPA’s Utility MACT . . . . . 7

EPA Lead Rule . . . . . 8

#### Regional Roundup

Business Roundtable in Newark . . . . . 5

#### Research Notes

Second Quarter Economic Update . . . . . 2

## A Report on Second Quarter 2011

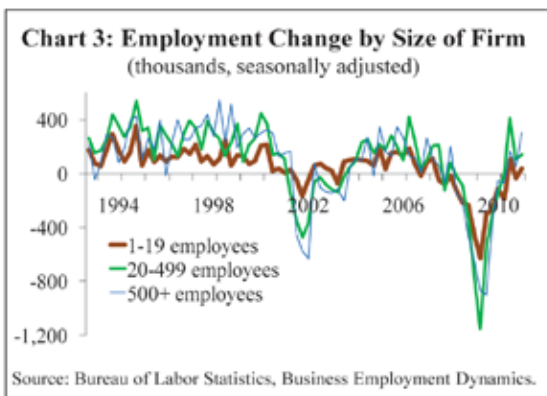
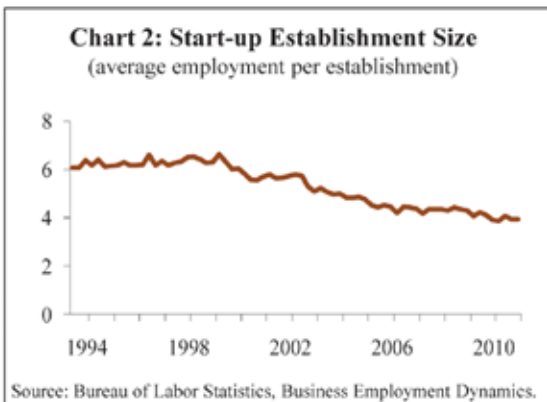
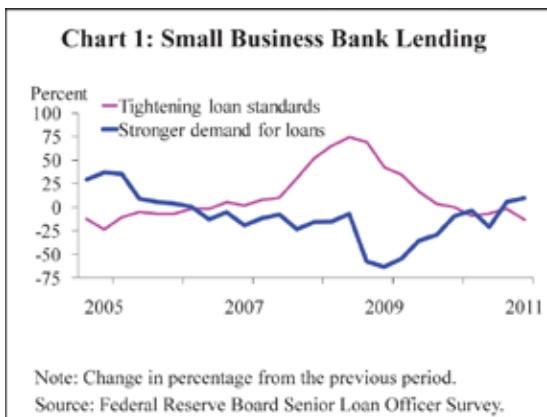
by Brian Headd, Economist

Recovering economies generally have not experienced smooth acceleration. This recovery is no different with speed bumps in the labor market. The first half of 2011 saw real GDP decelerate from its 2010 growth rate and unemployment rates remain elevated above rates of the last few decades.

Small firms are doing their part to expand the economy. Most likely in response to recent increases in manufacturing and trade sales, the demand for loans by small firms has increased in each of the first two quarters of 2011 (chart 1). Commercial and industrial loans outstanding (which include loans to large firms) have also increased in both quarters of 2011.

While the number of startup establishments increased at the end of 2010, the number of employees at the average startup continues to decline (chart 2). This is not necessarily a business cycle issue; it may be a broader trend that contributed to the slow labor market expansion from the previous recession in 2001. Establishments that start smaller, on average, tend to stay smaller throughout their lives.

Fortunately, the increase in the number of startups and expansions of existing businesses led to net employment increases in the last three quarters of 2010 (the latest period for which data are available). But in the fourth quarter of 2010, firms with fewer than 20 employees added only 38,000 net new jobs, while firms with more than 500 employees added 304,000 (chart 3). Even in the small business category of firms with 20-499 employees,



### The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

Production Assistant Tymillia Johnson

*The Small Business Advocate* (ISSN 1045-7658) is published monthly by the U.S. Small Business Administration's Office of Advocacy and is distributed to SBA field staff, members of the U.S. Congress, and the public. *The Small Business Advocate* is available without charge from the Office of Advocacy, U.S. Small Business Administration, MC 3114, Washington, DC 20416; [advocacy@sba.gov](mailto:advocacy@sba.gov); (202) 205-6533. For delivery changes, send your current address label with your request to the above address. For electronic delivery of this newsletter, visit <http://web.sba.gov/list>.



Federal Recycling Program  
Printed on recycled paper.

new job creation decelerated from the previous quarter. It is not clear if this was a pullback from the strong third quarter of 2010, or the beginning of a new trend.

The number of startups is beginning to increase, and closures continue to decline. As one would imagine, the beginning of the downturn wiped out many shaky businesses. There was concern that such a long economic storm would overcome even stronger firms. The latest data on establishment deaths and business bankruptcies show steady declines since 2009.

The data for small business in the second quarter of 2011 indicate a continuing but choppy climb from the depths of the recession.

### Quarterly Updates Online

View ITA's *Small & Medium-Sized Exporting Companies: Statistical Overview, 2009* at [www.trade.gov/mas/ian/smeoutlook/tg\\_ian\\_001925.asp](http://www.trade.gov/mas/ian/smeoutlook/tg_ian_001925.asp). It is based on ITA's versatile Exporter Database, online at <http://tse.export.gov/EDB>.

---

## Message from the Chief Counsel

---

### Ingenuity and Resilience on Display in Midwest and Mountain Businesses

by Dr. Winslow Sargeant, Chief Counsel for Advocacy

This month marks one year since I became Chief Counsel for Advocacy. One of the best parts of the job is traveling around the country to talk directly with small business owners. I am pleased to report that during the past year, I have visited all 10 SBA regions. (Even more impressive, in the six months that my team of regional advocates has been on the job, they have traveled to all 50 states.) Though it has also been a period of tough economic times, what strikes me most about my many conversations is that small business owners are facing the challenging conditions with persistence and resilience. American entrepreneurship is alive and well throughout the country. What makes us great is that we continue to be optimistic about our chance for success even during seemingly pessimistic times.

Recently, I took a weeklong four-state trip to the Midwest and Mountain regions. My trip began in Iowa. Since I've spent a fair amount of time living in the

Midwest, it was no surprise to me that American innovation continues to thrive in the heartland. We visited Accumold, a company that makes tiny parts to exacting specifications for products ranging from electronics to automobiles. Accumold is expanding its facilities and creating jobs in a down economy. When the company had trouble finding qualified machinists, it helped start a training program with a local community college. Community colleges are playing a vital role in addressing the skills gaps. This is the type of ingenuity through partnerships that we need.

In Kansas City, Missouri, I came across something that I had never seen in all the time I've been visiting small businesses. Bennett Packaging, a women-owned and -led small business, is literally headquartered in a cave. In this underground facility, Bennett makes packaging products and boxes. While this would seem to be a fairly straightforward low-tech operation, it was impressive to see

how much innovation and coordination it takes to make the packaging and displays that we see every time we go to the store.

This summer, with the heat records being broken throughout the country, air conditioning has been a necessity. In the Denver area, I visited Coolerado, a company that has created an innovative air conditioning (heat exchanger) system that consumes significantly less electricity than its competitors. Colorado has embraced the green economy, and it was encouraging to see entrepreneurs who are developing products that seek to reduce our carbon footprint. Coolerado is another company that is growing and hiring. And like Accumold and Bennett, Coolerado is making their products in the United States, continuing the long and critical tradition of American manufacturing.

People often ask me what I hear on the road from small businesses, especially regarding the burdens they face. Certainly, there is

*Continued on page 4*



A roundtable discussion with small business owners occurred at Johnson County Community College Small Business Development Center in Overland Park, Kansas.



Roger Hargens, Accumold CEO/President and Dr. Winslow Sargeant, tour the micro mold tooling and manufacturing company in Ankeny, Iowa.

## Chief Counsel's Message, from page 3

frustration with federal regulations that are unfair or unclear. But as often, small businesses' comments focus on ways the government can do more to help. Small businesses want to compete for federal contracts, and they want the process of winning them to be more transparent and fair. Access to capital remains the number one

concern of growing businesses, and they want SBA to provide more guarantees and incentives to get the money flowing. Small businesses have also expressed disappointment at the political discourse our leaders are engaged in. Dysfunction in government only makes small business planning harder.

These are some of the things I heard and saw in Des Moines, Kansas City, and Denver, remind-

ing me again that in order to get our economy moving we need to do less talking in D.C. and more listening outside the Beltway. What businesses are saying is that the public sector and the private sector are in a partnership to reinvigorate our economy. At Advocacy, we work every day to make sure that the balance is optimized in order to help our small businesses succeed.



In this excavated limestone mine near Lee's Summit, Missouri, are Bennett Packaging and several other businesses, nestled next to 4 million-year-old limestone columns.



Chief Counsel Sargeant and Director of Regional Affairs Michael Landweber learn about the technology underlying Coolerardo's innovative air conditioners as they tour the Denver manufacturing facilities.

## Advocacy Interns Head Back to School

by Rebecca Krafft, Editor

Each summer, the Office of Advocacy hosts several talented students, introducing them to the real world of D.C. policymaking while benefiting from their energy and fresh outlook.

**Shawn Fouladi**, of Fairfax, Virginia, was Advocacy's undergraduate intern. Fouladi is studying bioethics and philosophy at the University of Virginia, and he expects to graduate in May of 2012. Fouladi monitored and reported on numerous Capitol Hill hearings, created an interactive Flash map of U.S. Census Bureau data, and helped plan Advocacy's upcoming debt and equity symposium. He brought a special enthusiasm to the office as he comes from

a small business-owning household and has had several jobs in various businesses. In his good-bye email, Fouladi said, "I loved the Office



of Advocacy from day one; the friendly atmosphere and family-like environment within this professional workplace is something all offices should strive for."

**Nolan A. Kulbiski**, of Dodge City, Kansas, welcomed the opportunity to work in government procurement law. Kulbiski is currently in his third year at the George Washington University Law School in Washington, D.C.

Kulbiski drafted two regulatory comment letters (on SBA size standards for professional, scientific, and technical services and on the H-2B visa program). He researched procurement topics

*Continued on page 5*

---

## Regional Roundup

---

### Newark, New Jersey, Business Roundtable

Chief Counsel for Advocacy Winslow Sargeant and Region II Advocate Teri Coaxum participated in a business roundtable in Newark, N.J., on August 24. Local business owners, city councilwoman Mildred Clump, and local pastors shared their experiences and concerns. The gathering took place at Irving Street, Inc., and was organized by small business owner Curtis Farrow.



Celeste Quintana, the owner of 10 McDonald's restaurants, addresses the group; to her right are Ronald Carter Jr., Pastor Joe Carter, Councilmember Mildred Clump, Chief Counsel Sargeant, Regional Advocate Teri Coaxum, and Pastor Vincent Rouse

*Photo by Catherine Restivo*

---

### Interns, from page 4

ranging from organizational and personal conflicts of interest to green procurement and federal contractor affirmative action programs. Kulbiski also made several trips to Capitol Hill to monitor committee hearings on procurement topics. He undertook a large research project



examining several collaborative rulemaking alternatives to the panel process required by the Small Business Regulatory Enforcement Fairness Act of 1996. He's looking forward to internships at the Financial Industry Regulatory Authority (FINRA) and the EPA's Office of Grants and Debarments during the upcoming school year.

**Leonard S. Rubin** is also in his third year at George Washington University Law School. Rubin enjoyed his summer at Advocacy, particularly learning about an interesting, dynamic area of administrative law and its implications for environmental regulation. Rubin's long-term project focused on the effectiveness of the SBREFA panel process in shaping EPA rules, and he did an in-depth case study of one panel. The case study provided an opportunity to get a close look at how federal agencies make



decisions and how they confront their various statutory obligations. A native of Selinsgrove, Pennsylvania, Rubin serves as the senior managing editor of the George Washington University Law School's *Journal of Energy & Environmental Law*, and he plans to pursue a career in environmental regulation.

---

## Regulatory Update

---

### Advocacy Applauds EPA Withdrawal of New Draft Construction and Development Stormwater Proposal

by Kevin Bromberg, Assistant Chief Counsel

In April 2010, the Office of Advocacy petitioned EPA to reconsider its rule on construction and development stormwater regulations. Advocacy asserted that the new 2010 rule imposed a numeric standard that was costly, difficult to implement, and based on numerous factual errors. As a result of Advocacy's petition and another from the affected industry, EPA vacated its standard. The agency then worked to correct problems with its first rule and proposed another version for review by the Office of Management and Budget last January.

Based on additional comments from Advocacy and further review of the data, EPA has now withdrawn that revised draft proposal from review and agreed to seek additional data upon which a valid standard could be developed. A more robust science-based value could save hundreds of millions



An EPA action has delayed completion of the rules for containing stormwater runoff from construction and development sites.

of dollars annually for small construction and development firms. After the review of new information, however, EPA may decide

that adoption of an action-level approach is a sounder solution than a hard numeric standard, and this would yield additional savings.

---

### Advocacy Continues Work on Many EPA SBAR Panels

by David Rostker, Assistant Chief Counsels

This year, Advocacy has been working on 15 different prospective or convened Small Business Advocacy Review panels on forthcoming EPA rules. Some panels have gone relatively well, with productive consultations with small entity representatives (SERs) followed by specific recommendations supported by all three panel members (EPA, OMB, and Advocacy). However, other panels have encountered problems. Advocacy believes that many of these problems originate with court-agreed regulatory timelines and EPA's determination to move forward

with SBAR panels before having developed the industry information and regulatory alternatives necessary to understand the potential economic impacts.

Advocacy is currently working on two parallel panels. On August 4, EPA convened two separate panels: one on automobile emission standards and gasoline; the other on pollution emissions, including greenhouse gas emissions, from petroleum refineries. Both rules affect petroleum refineries that make gasoline. For the automobile emissions rule, EPA presented a well-developed preferred alterna-

tive and a variety of small entity flexibilities available under the Clean Air Act. On the other hand, for the petroleum refineries rule, EPA presented only general industry and technology characterizations and broad lines of regulatory possibilities. Advocacy wrote a letter to EPA on the day the panel commenced stating that Advocacy did not believe EPA was ready for the petroleum refineries SBAR panels. The number of SBAR panels convened or planned for this calendar year is unprecedented. Advocacy will continue to work to

*Continued on page 7*

# Advocacy Comments on the Utility MACT Proposed Rule

by David Rostker, Assistant Chief Counsel

On August 4, the Office of Advocacy filed comments on EPA's proposed rule establishing air pollution emission standards for electric utilities using coal- and oil-fired power plants. This rule would establish new emissions controls for such pollutants as particulate matter and mercury. This rule has also been referred to as the Utility MACT, the EGU MACT (electric

generating units maximum achievable control technology), and the Toxics Rule. It is one of the many rules affecting electric utilities that EPA has in its regulatory pipeline.

Advocacy states in the comment letter that EPA did not comply with the Regulatory Flexibility Act in its development of this proposed rule. The letter describes problems in the Small Business Advocacy

Review panel that EPA conducted last winter and deficiencies in the initial regulatory flexibility analysis (IRFA) published with the proposed rule. The comment letter also describes regulatory alternatives that are consistent with the Clean Air Act that EPA should have considered, including:

- Facility-wide emission standards in lieu of pollutant-by-pollutant MACT floors;
- Limiting the rulemaking to mercury controls;
- Area source emission or management practice standards; and
- Additional subcategorization schemes, including one based on EGU size.

Advocacy is recommending that EPA reconvene the SBAR panel for additional consultation, redo the IRFA to reflect a wider range of regulatory alternatives, and release the revised IRFA for public comment before developing the final rule.



---

## EPA SBAR Panels,

*from page 6*

ensure that these panels fulfill their purpose of recommending regulatory alternatives that minimize the burden on small entities, consistent with EPA's statutory mandates.



## EPA Lead Clearance Final Rule

by Kevin Bromberg, Assistant Chief Counsel

In July, in response to comments by the Office of Advocacy and small businesses, the Environmental Protection Agency declined to finalize costly amendments to its current standards for renovation of residences and buildings containing lead-based paint (the Lead Renovation, Repair, and Painting rule). The action effectively keeps the rule as is, without additional costs of about \$300 million annually. Reform of the expensive requirements of the current rule has been one of the highest priorities of the small business community.

EPA requires that contractors use particular practices to maintain a lead-safe environment during renovations to protect children and pregnant women. EPA had proposed adding an additional lead laboratory testing requirement to its current rule. The agency wisely

concluded that the additional lab testing step is unnecessary, and it would have led homeowners to choose uncertified contractors or do it themselves, thereby adding to the risk of contaminating their own residences.

EPA also agreed with Advocacy's suggestion to clarify the "vertical containment" requirement, which requires renovators to take special precautions to contain lead paint dust from contaminating nearby properties. EPA showed great flexibility in permitting equivalent procedures to vertical containment requirements, which had called for scaffolding surrounded by plastic sheathing to contain lead dust. This decision alone could account for over \$100 million in annual cost savings.



EPA concluded that additional lead-based paint testing requirements would have led homeowners to choose uncertified contractors or do it themselves, adding to the risk of contaminating their own residences.

---

U.S. Small Business Administration  
Office of Advocacy  
Mail Code 3114  
409 Third Street, S.W.  
Washington, DC 20416

---

Official Use  
Penalty for Private Use, \$300

Return Service Requested